

Suburban Maryland

Industrial Q1 2021

| | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| 7.0% Vacancy Rate | ▼ | ▼ |
| 150K Net Absorption, SF | ▼ | ▲ |
| \$11.21 Asking Rent, PSF | ▲ | ▲ |

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 3.1 M D.C. Metro Employment | ▼ | ▲ |
| 6.0% D.C. Metro Unemployment Rate | ▲ | ▼ |
| 6.0% U.S. Unemployment Rate | ▲ | ▼ |

Source: BLS

Supply: Positive Absorption

Suburban Maryland started 2021 with a 7.0% vacancy rate, a 30 basis point (bp) drop from Q4 2020 and a 20 bp increase year-over-year (YOY). The office service (OS) sector saw a 20 bp drop YOY while the warehouse/distribution (W/D) sector saw a 30 bp increase YOY. Overall vacancy in Montgomery County rose 140 bp YOY to 8.1% and Prince George's rose 10 bp YOY to 6.6% while Frederick dropped 540 bps YOY to 4.9%.

The Suburban Maryland industrial market saw positive absorption to start 2021 registering 146,766 square feet (sf) with W/D at 29,091 sf and OS at 120,675 sf of positive absorption. All three counties registered overall positive absorption- 75,185 sf in Frederick, 20,036 sf in Montgomery County and 54,545 sf in Prince George's County. With no new construction completions for this quarter, increased leasing activity will result in vacancy tightening in 2021.

Demand: New Leasing Activity Increases

The first quarter of 2021 saw 438,591 sf of new leasing activity with OS registering 116,616 sf and W/D registering 321,975 sf of new leasing. Among the top new leases were an undisclosed tenant taking 75,000 sf at 8520 Pepco Place in the Oxon Hill/Suitland submarket and MedStar Health taking 42,600 sf at 3200-3244 Hubbard Road in the Landover/Lanham submarket.

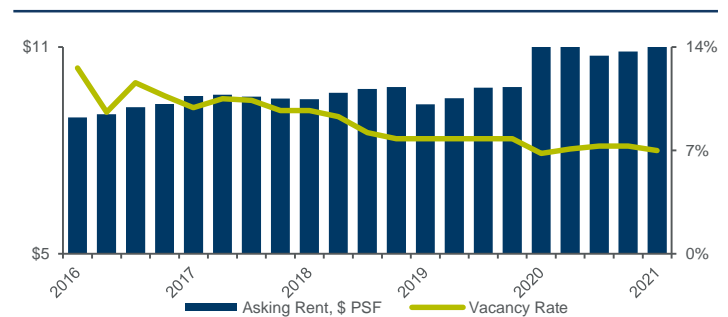
Pricing: Slightly Decreasing Rental Rates

Suburban Maryland started 2021 with an average overall rental rate of \$11.21 per square foot (psf) on a triple-net basis. This rental rate is a \$0.34 psf increase from last quarter and a \$0.12 psf decrease YOY. Increasing rental rates are coming as a result of significantly increased leasing activity and steady or dropping vacancy. The industrial market has not been as impacted by the global economic conditions as the office sector has, based on tenant use of space. While many office users have had limited access to their space, the need for industrial space for storage, research, and a variety of other reasons in Suburban Maryland, has grown.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | CONSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT (OS) | OVERALL WEIGHTED AVG NET RENT (W/D) |
|---------------------------------|-------------------|---------------------|----------------------|---|---------------------------------|------------------|-------------------------|------------------------------------|-------------------------------------|
| Montgomery County | 15,804,647 | 1,274,497 | 8.1% | 20,036 | 20,036 | 0 | 0 | \$14.61 | \$12.21 |
| North Bethesda-Rockville | 7,378,754 | 681,549 | 9.2% | 13,102 | 13,102 | 0 | 0 | \$15.31 | \$12.17 |
| Gaithersburg-Germantown | 8,425,893 | 592,948 | 7.0% | 6,934 | 6,934 | 0 | 0 | \$13.88 | \$12.26 |
| Prince George's County | 31,811,735 | 2,097,754 | 6.6% | 54,545 | 54,545 | 0 | 0 | \$11.22 | \$8.70 |
| Beltsville-College Park | 7,382,361 | 291,302 | 3.9% | 25,483 | 25,483 | 0 | 0 | \$10.49 | \$9.64 |
| Laurel | 2,836,861 | 119,291 | 4.2% | 34,504 | 34,504 | 0 | 0 | \$11.50 | \$9.16 |
| Landover/Lanham | 14,212,106 | 1,099,984 | 7.7% | -101,579 | -101,579 | 0 | 0 | \$10.66 | \$8.21 |
| Bowie | 2,621,804 | 117,387 | 4.5% | 76,927 | 76,927 | 0 | 0 | \$14.19 | N/A |
| Oxon Hill/Suitland | 4,758,603 | 469,790 | 9.9% | 19,210 | 19,210 | 0 | 0 | \$12.00 | \$9.66 |
| Frederick County | 1,810,718 | 88,419 | 4.9% | 75,185 | 75,185 | 276,000 | 0 | \$11.39 | N/A |
| SUBURBAN MARYLAND TOTALS | 49,427,100 | 3,460,670 | 7.0% | 149,766 | 149,766 | 276,000 | 0 | \$13.38 | \$9.61 |

*Rental rates reflect weighted net asking \$psf/year

OS = Office Service/Flex W/D = Warehouse/Distribution

| TYPE | INVENTORY (SF) | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | CONSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT |
|--------------------------|----------------|---------------------|----------------------|---|---------------------------------|------------------|-------------------------|-------------------------------|
| Warehouse / Distribution | 32,552,852 | 2,174,513 | 6.7% | 29,091 | 29,091 | 276,000 | 0 | \$9.61 |
| Office Service / Flex | 16,874,248 | 1,286,157 | 7.6% | 120,675 | 120,675 | 0 | 0 | \$13.38 |

KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-------------------------|--------------------|----------------|--------|-----------|
| 8520 Pepco Place | Oxon Hill/Suitland | - | 75,000 | New Lease |
| 3200-3244 Hubbard Road | Landover/Lanham | MedStar Health | 42,600 | New Lease |
| 8210 Penn Randall Place | Oxon Hill/Suitland | Ferguson | 41,110 | New Lease |

*Renewals not included in leasing statistics

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